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TAGS: ETRD EFIN EGEN YO

SUBJ: YUGOSLAV ECONOMY AT MID-POINT: SIROTKOVIC

SPEECH TO SAWPY PRESIDUM

REF BELGRADE 2254

SUMMARY: SIROTKOVIC SPEECH JULY 20 ANALYZES RESULTS OF ECONOMY DURING FIRST SIX MONTHS OF 1973 AND GIVES PROGNOSIS FOR FULL-YEAR 1973. FOR 1973 AS A WHOLE, SIROTKOVIC PROJECTS THAT PRODUCTION AND EMPLOYMENT WILL MEET PLANNED TARGETS. ALSO PROJECTD EQUILIBRIUM ON BALANCE OF PAYMENTS CURRENT ACCOUNT WITH IMPROVED INVISIBLES RECEIPTS OFFSETTING HIGHER IMPORTS. FOR FIRST SIX MONTHS 1973, SIROTKOVIC ANNOUNCED THAT BUSINESS AND CONSUMER EXPENDITURES WERE LOWER THAN PROJECTED AND GOVERNMENT EXPENDITURE HIGHER. INVESTMENT RATE IN PRODUCTIVE SECTOR LAGGING. PRICE AND COST OF LIVING INCREASES ARE ONCE AGAIN "CENTRAL PROBLEM." MEASURES PROMISED FOR COMING MONTHS INCLUDE \$200-MILLION INCREASE IN

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IMPORTS. MOVE REFLECTS GOY DETERMINATION TO DAMPEN INFLATIONARY

PRESSURES AS WELL AS ELIMINATE SUPPLY BOTTLENECKS. END SUMMARY.

1. IN SPEECH DELIVERED JULY 20 TO PRESIDUM OF FEDERAL CONFERENCE OF SOCIALIST ALLIANCE OF WORKING PEOPLE (SAWPY), FEDERAL EXECUTIVE COUNCIL VICE-PREMIER SIROTKOVIC GAVE LENGTHY ANALYSIS OF ECONOMY'S ACHIEVEMENTS AND PROBLEMS IN FIRST HALF OF 1973 AND PROGNOSIS FOR FULL-YEAR 1973.

2. ACCORDING TO SIROTKOVIC, GOY OVERVIEW OF ECONOMY FOR FULL-YEAR 1973 ESTIMATES OVERALL PRODUCTION WILL BE BETWEEN SIX AND SEVEN PERCENT. INDUSTRIAL PRODUCTION AT ESTIMATED SEVEN PERCENT IS LOWER THAN PROJECTED AT BEGINNING OF YEAR, BUT AGRICULTURAL OUTPUT WILL BE HIGHER THAN ORIGINALLY ANTICIPATED. PROJECTED 1973 EMPLOYMENT GROWTH RATE OF 3.2 PERCENT (140,000 JOBS) WILL BE MET OR EXCEEDED. FOREIGN TRADE/INVISIBLES WILL BE HIGHER THAN EXPECTED, BUT WITH "MAJOR DEVIATIONS;" I.E., HIGHER IMPORTS ANTICIPATED. PRIVATE, CAPITAL AND GOVERNMENT EXPENDITURES WILL SHOW REAL INCREASES, BUT LOWER THAN FORECAST AT BEGINNING OF YEAR. INCREASES IN: (A) PRICES, ESPECIALLY RETAIL; (B) COST OF LIVING; AND (C) MONEY SUPPLY ARE ALL "CONSIDERABLY HIGHER" THAN PROJECTED. BY END OF 1973, SAYS SIROTKOVIC, YUGOSLAV PER CAPITA GNP WILL BE \$850.

3. ON FULL-YEAR 1973 EXTERNAL ACCOUNTS, SIROTKOVIC SAYS GOY EXPECTS HIGHER RATE OF IMPORTS AND EXPORTS IN SECOND HALF OF 1973 AND A MORE UNFAVORABLE TRADE DEFICIT THAN ANTICIPATED. TRADE GAP, HOWEVER, IS EXPECTED TO BE OFFSET BY INCREASED INVISIBLE RECEIPTS (WORKERS' REMITTANCES, TOURISM). BALANCE OF PAYMENTS ON CURRENT ACCOUNT NOW IS EXPECTED TO BE IN EQUILIBRIUM. AS OF FIRST SIX MONTHS, FOREIGN EXCHANGE RESERVES STAND AT \$1.2 BILLION; UP \$330 MILLION OVER END-1972 LEVEL. CLEARING ACCOUNT IS ALSO IN SURPLUS OF \$132-MILLION; UP \$51 MILLION OVER END 1972 LEVEL. BANKING CREDITS HAVE DECREASED AND FOREIGN DEBT STRUCTURE AND TIMELY PAYMENT OF OBLIGATIONS HAVE IMPROVED.

4. REVIEWING THE DOMESTIC ECONOMY'S PERFORMANCE OVER THE FIRST SIX MONTHS OF 1973, SIROTKOVIC SAID THAT THE SUPPLY SIDE OF EQUATION WAS RELATIVELY SATISFACTORY AND STABLE. TRENDS IN PRODUCTION, IMPORTS, INVENTORIES, AND RESERVES SHOULD ENSURE MAINTENANCE OF RELATIVELY HIGH AND STABLE SUPPLY FOR REMAINDER LIMITED OFFICIAL USE

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OF 1973; ALTHOUGH PROBLEMS EXIST IN CERTAIN SECTORS, EITHER BECAUSE OF INADEQUATE PRODUCTION; E.G., MEAT, OR INADEQUATE IMPORTS.

5. DURING FIRST SIX MONTHS OF 1973, CONSUMER AND BUSINESS EXPENDITURES IN REAL TERMS WERE LOWER THAN EXPECTED. CAPITAL INVESTMENT IN PARTICULAR WAS LOWER THAN PROJECTED, ESPECIALLY IN PRODUCTIVE SECTOR, WHILE NON PRODUCTIVE SECTOR INVESTMENT

REMAINED HIGHER THAN PROJECTED. ON THE OTHER HAND, GOVERNMENT EXPENDITURES IN FIRST SIX MONTHS WERE HIGHER THAN EXPECTED, BUT SIROTKOVIC EXPECTS THIS TREND TO TAPER OFF IN SECOND-HALF OF 1973.

6. PRICE INCREASES IN FIRST SIX MONTHS REPRESENT "CENTRAL PROBLEM," ESPECIALLY FOOD PRICE INCREASES. INCREASED TURNOVER TAXES, MIDDLEMEN, AND UNJUSTIFIED PRICE INCREASES ARE CONSIDERED CONTRIBUTING FACTORS TO INFLATIONARY PRESSURES IN FIRST-HALF OF YEAR.

7. EFFORTS AGAINST INSOLVENCY BEGAN TO PAY OFF IN FIRST SIX MONTHS; UNPAID DEBTS WERE DOWN TO 5.4 BILLION ND, NUMBER OF FIRMS WITH BLOCKED ACCOUNTS AND PAYING DECREASED WAGES IS DOWN AS WELL, AND LIQUIDITY AVAILABLE TO FIRMS IS APPROXIMATELY 70 PERCENT GREATER THAN CORRESPONDING PERIOD OF 1972. UNCOVERED INVESTMENTS, HOWEVER, ARE STILL "ESPECIALLY UNFAVORABLE" AT 5.7 BILLION ND, ALTHOUGH DOWN FROM 7.9 BILLION ND AT END 1972.

8. SIROTKOVIC ANNOUNCED FOLLOWING POLICY GOALS IN COMING MONTHS: (A) USE OF \$200 MILLION FROM FOREIGN EXCHANGE RESERVES FOR PURCHASES OF RAW MATERIALS, SEMI-MANUFACTURES AND CONSUMER GOODS. THIS MEASURE WILL HAVE ANTI-INFLATIONARY IMPACT AS WELL AS BENEFICIAL EFFECT ON PRODUCTION; (B) RELAXED CREDIT RESTRICTIONS; (C) POSSIBILITY OF "REALISTIC GROWTH" IN PERSONAL INCOME, IN ACCORDANCE WITH EARNED INCOME AND ACHIEVED PRODUCTIVITY; AND (D) STEPPED-UP STRUCTURAL CHANGES (TAXES, BANKING, FOREIGN TRADE/FOREIGN EXCHANGE, INCOMES). INTER-REPUBLICAN AGREEMENT LIMITING LOCAL AND REPUBLIC TAXATION IS PROMISED SHORTLY. ANALYSIS/REVISION OF PRESENT FIVE-YEAR PLAN EXPECTED IN OCTOBER 1976-80 PLAN WILL BE PRESENTED IN SPRING 1974 AND WORK ON LONG-TERM (THROUGH 1985) PLAN IS ALSO PROCEEDING.

9. COMMENT: INFLATION AND LAGGING INVESTMENT RATES IN PRODUCTIVE LIMITED OFFICIAL USE

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SECTOR MAY BE MAJOR FOCAL POINTS OF GOY CONCERN IN COMING MONTHS. IMPORTANT ADDED IMPETUS TO IMPORT LIBERALIZATION WILL HELP GOY EFFORTS AGAINST INFLATION AND EASE SUPPLY BOTTLENECKS. EMBASSY WILL, OF COURSE, FOLLOW CLOSELY DETAILS ON STEPPED-UP IMPORT LIBERALIZATION AS ANNOUNCED BY SIROTKOVIC IN VIEW OF POSSIBILITY FOR INCREASED U.S. EXPORT SALES.
TOON

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